

News Release

U.S. Department of Justice

*United States Attorney
Northern District of Ohio*

For Release:

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Gregory A. White, United States Attorney for the Northern District of Ohio, announced today that a federal grand jury returned an indictment against James J. Reinholz and his wife, Lynn M. Reinholz, charging them with conspiracy to defraud the Internal Revenue Service (IRS) and other criminal tax charges relating to their alleged diversion of income from transportation service businesses they owned and operated. According to court records, James and Lynn Reinholz reside in Seven Hills, Ohio.

As alleged in the indictment, James Reinholz was the chief operating officer and Lynn Reinholz was the sole shareholder and President of Elite Auto Services, Inc. (Elite Auto), operating principally from locations in Garfield Heights and Seven Hills, Ohio. Elite Auto provided two types of services: transportation of ambulatory patients (“ambulance transport”) and transportation for funeral homes (“funeral transport”). In 2001, James Reinholz formed Medport, Inc. (Medport), to conduct the same business as Elite Auto from the same locations, as a subchapter S corporation. During a transition period in 2001, both businesses were active.

The indictment charges that from at least January 1999 through August 2002, the defendants conspired to obstruct and impede the IRS with respect to the ascertainment and computation of the income and employment taxes owing by Elite Auto and Medport, and the income taxes owing by the

defendants and their two adult children, through the following conduct. The defendants diverted a portion of Elite Auto's and Medport's receipts – consisting of most of the funeral transport receipts and some of the ambulance transport receipts – by depositing the receipt checks into a joint bank account of the defendants and into their adult children's bank accounts. The defendants falsified the corporate income tax returns by not reporting the diverted sales receipts and falsified their own personal income tax returns by not reporting the income they received from the diverted receipts. In addition, the defendants paid their adult children a portion of the childrens' wages with the diverted corporate receipts deposited into the childrens' bank accounts plus some checks written on the defendants' personal bank account. The defendants then caused the childrens' returns to falsely understate their wages from the corporation by reporting only the wages paid by corporate payroll check, as reflected on their W-2 forms. In addition, the defendants caused the corporations to file false quarterly employment tax returns, which failed to report the FICA and income tax withholding owing on the wages paid to their children using diverted corporate receipts.

In addition to the conspiracy charge in Count 1, the indictment charges the defendants with the following substantive tax offenses:

Count(s)	Defendant(s)	Charge(s)	Alleged falsification
Counts 2 & 3	Both defendants	Attempted evasion of their personal income taxes for 2000 and 2001, by filing false tax returns	Unreported taxable income of \$277,535 and unreported taxes of \$93,926 for the two years
Count 4	Lynn Reinholz	Making a false corporation tax return for Elite Auto for the tax year ended November 2000	Unreported corporate receipts of \$272,608
Count 5	James Reinholz	Assisting the preparation of a false corporation tax return for Elite Auto for the tax year ended November 2000	Same

Count(s)	Defendant(s)	Charge(s)	Alleged falsification
Counts 6 & 7	Both defendants	Assisting the preparation of a false income tax returns of their son, James Reinholz, Jr., for 2000 and 2001	Unreported wages of \$68,403
Counts 8 & 9	Both defendants	Assisting the preparation of a false income tax returns of their daughter, Dawn Reinholz, for 2000 and 2001	Unreported wages of \$81,918

If convicted, each defendant's sentence will be determined by the Court after review of factors unique to this case, including the defendant's prior criminal record, if any, the defendant's role in the offense and the characteristics of the violation. In all cases the sentence will not exceed the statutory maximum and in most cases it will be less than the maximum.

The government's case is being prosecuted by Assistant United States Attorney John M. Siegel, following an investigation by the Internal Revenue Service, Criminal Investigation Division, Cleveland, Ohio.

An indictment is only a charge and is not evidence of guilt. A defendant is entitled to a fair trial in which it will be the government's burden to prove guilt beyond a reasonable doubt.

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